

**Joint Hearing
Select Committee on California Correctional System
and
Budget and Fiscal Review Subcommittee #2**

**Gloria Romero, Chair
Byron Sher, Chair**

**Wednesday, February 11, 2004
2:00
Room 3191**

California Department of Corrections Budget Overview

5240 Department of Corrections

Budget Proposal. The budget proposes \$5.3 billion for the CDC, which is a decrease of \$446.6 million, or 7.8 percent, from the revised current-year budget. General Fund expenditures are proposed to increase by \$413.4 million, or 8.7 percent above current-year expenditures and federal fund expenditures are proposed to decrease by \$852.3 million. In the current year, the Administration reduced General Fund by \$852 million and increased federal funds by the same amount to reflect one-time expenditure of federal funds provided to California from the federal Jobs and Growth Tax Relief Reconciliation Act of 2003.

CDC – Source of Funding

Fund	Expenditures (dollars in thousands)					Percent	
	2000-01	2001-02	2002-03	2003-04	2004-05	Change	Change
General Fund	\$4,525,648	\$4,934,700	\$5,183,248	\$4,742,236	\$5,155,646	\$413,410	8.7%
Federal Trust Fund	2,565	1,652	2,057	854,748	2,476	-852,272	-99.7%
Inmate Welfare Fund	45,157	45,645	46,816	53,619	51,474	-2,145	-4.0%
Special Deposit Fund	626	1,516	1,163	1,010	1,010	0	0%
Reimbursements	91,239	103,122	101,723	78,575	72,788	-5,787	-7.4%
Totals, Programs	\$4,665,235	\$5,086,635	\$5,335,007	\$5,730,188	\$5,283,394	-\$446,794	-7.8%

Authorized Positions. As shown at the bottom of the next table, authorized positions for the department are proposed to increase by 1,862, or 4 percent, above the current year numbers to 48,655. Of this increase, 1,239 positions are related to a proposed increase in the budgeted relief factor for correctional officers, sergeants, and lieutenants.

CDC – Summary of Program Expenditures

Program	Expenditures (dollars in thousands)				Percent
	2002-03	2003-04	2004-05	Change	Change
Institution Program	\$3,978,641	\$4,153,235	\$4,078,694	-\$74,541	-1.8%
Health Care Services Program	878,941	974,493	990,396	15,903	1.6%
Community Correctional Program	477,424	602,459	614,303	11,844	2.0%
Administration	136,208	139,099	136,050	-3,049	-2.2%
Distributed Administration	-136,208	-139,099	-136,050	3,049	-2.2%
State Mandated Local Program	1	1	1	0	0.0%
Unallocated Reduction			-400,000		
Total	\$5,335,007	\$5,730,188	\$5,283,394	-\$446,794	-7.8%
Total Authorized Positions	44,453.5	46,793.2	48,655.3	1,862.1	4.0%

The average cost per inmate has been steadily increasing in the last several years.

Average Cost per Inmate at CDC

1999-00	2000-01	2001-02	2002-03	2003-04*	2004-05*
\$22,737	\$25,307	\$27,705	\$28,654	\$30,929	\$33,152

* Projected

Average Cost Per Inmate by Institution (2002-03)			
Institution	Levels/Mission	Average Daily Population	Average Cost per Inmate
Central California Women's Facility (CCWF)	Female, CTC	3,253	\$31,936
California Institute for Women (CIW)	Female	1,676	\$43,189
Northern California Women's Facility (NCWF)	Female	409	\$50,073
Valley State Prison for Women (VSPW)	Female	3,262	\$30,342
California Institute for Men (CIM)	1, RC, HIV/AIDS, ASU, HOSPITAL	6,445	\$30,961
California Men's Colony (CMC)	1,2,3, ASU, EOP, HIV, HOSPITAL	6,505	\$27,728
California Medical Facility (CMF)	1,2,3, CTC, EOP, DMH, HIV, ASU, HOSPITAL	3,289	\$50,500
California State Prison, Corcoran (COR)	1,3,4, PHU, SHU, EOP, HOSPITAL	4,862	\$41,238
Deuel Vocational Institute (DVI)	1, 3, RC, ASU	3,909	\$27,820
High Desert State Prison (HDSP)	1, 3, 4, RC, ASU, CTC	4,320	\$30,529
North Kern State Prison (NKSP)	1, 3, RC, ASU, CTC	5,040	\$25,683
R.J. Donovan Correctional Facility (RJD)	1, 3, RC, EOP, ASU, CTC	4,345	\$34,838
Wasco State Prison (WSP)	1, 3, RC, ASU, CTC	5,989	\$23,611
California Correctional Center (CCC)	1, 2, 3, Camp, ASU	5,812	\$20,390
Sierra Conservation Center (SCC)	1, 2, 3, Camp, ASU	6,332	\$20,497
California State Prison, Sacramento (SAC)	1,4, PSU, EOP, ASU, CTC	2,977	\$47,646
Pelican Bay State Prison (PBSP)	1,4, SHU, PSU, EOP, ASU, CTC	3,278	\$45,452
California State Prison, Los Angeles County (LAC)	1, 3, 4, ASU, EOP, CTC	4,177	\$32,259
California Correctional Institution (CCI)	1,2,4, RC, SHU, YOP, ASU	5,330	\$31,837
Salinas Valley State Prison (SVSP)	1, 4, EOP, ASU, CTC	4,186	\$31,754
California State Prison, San Quentin (SQ)	1,2,RC, Condemned, ASU	5,737	\$30,712
Mule Creek State Prison (MCSP)	1, 3, 4, EOP, ASU, CTC	3,628	\$28,819
Calipatria State Prison (CAL)	1, 4, ASU	4,126	\$28,245
Centinela State Prison (CEN)	1, 3, 4, ASU, CTC	4,502	\$27,306
Pleasant Valley State Prison (PVSP)	1, 3, ASU, CTC	4,569	\$26,682
Substance Abuse Treatment Facility (SATF)	2, 3, 4, SAP, ASU, CTC	6,583	\$26,495
California Rehabilitation Center (CRC)	2, Female	4,587	\$25,882
Folsom State Prison (FSP)	1, 2, 3, ASU	3,714	\$25,250
Ironwood State Prison (ISP)	1, 3, ASU, CTC	4,564	\$25,129
California State Prison, Solano (SOL)	2, 3, ASU, CTC	5,778	\$22,763
Chuckawala Valley State Prison (CVSP)	1, 2, ASU	3,613	\$22,784
Correctional training Facility (CTF)	1, 2, 3, ASU	6,922	\$22,685

Avenal State Prison (ASP)	2, ASU	6,882	\$21,932
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Major Budget Adjustments for 2004-05 (dollars in thousands)			
	Issue	Positions	Dollars
1	Adjustment to the budgeted relief factor for Correctional Officers, Sergeants, and Lieutenants	1,238.8	\$99,513
2	Transfer of local assistance court costs to the Trial Court Funding budget item		-\$2,556
3	Patton State Hospital medical guarding and transportation.	10.6	\$723
4	Augmentation related to the Health Information Portability and Accountability Act of 1996 (one year limited-term).	6.0	\$408
5	Conversion of 20 Clinical Psychologist positions to Psychology Associate positions.		-\$456
6	Spending Authority increase for the Inmate Welfare Fund (special fund).		\$2,500
7	“Pending unallocated reduction” proposal that the Secretary of the Youth and Adult Correctional Agency (YACA) is developing. As part of the May Revision the actual savings amount will be allocated to the affected departments within YACA.		-\$400,000
8	Creation of a Closure Commission that will proactively evaluate and recommend future facility closures for CDC and the Youth Authority.		
9	Budget year savings pursuant to personnel adjustments required in Control Section 4.10 of the 2003 Budget Act.	-765.3	-\$42,900

In addition to these increases, the budget includes an additional \$14.3 million for improvements to the delivery of medical services at CDC institutions. This funding is related to full-year funding for improvements implemented in the current year and to implement improvements in an additional five institutions pursuant to the Plata lawsuit settlement.

POPULATION

Historical Institution and Parole Populations (as of June 30th of each year)		
Year	Institution Population	Parole Population
1994	124,813	85,197
1995	131,342	91,456
1996	141,017	98,013
1997	152,506	100,828
1998	158,207	108,750
1999	162,064	112,494
2000	162,000	119,298
2001	161,497	119,636
2002	157,979	120,336
2003	160,931	116,173

Fall 2003 Population Estimates. On June 30, 2003 the actual population in CDC was 160,931. This amount was 399 higher than anticipated in the Spring 2003 forecast. The difference was due primarily to more new admissions and fewer releases to parole, offset by fewer parolees returned to custody than expected. The Fall 2003 population projections estimate that the June 30, 2004 inmate population will be 163,536. This amount is 2,249 inmates higher than projected in the Spring 2003 estimates, primarily due to a projected significant increase in the number of new admissions from court offset by a decrease in the number of parolees returned to custody. The projections estimate that the population will increase by 84 inmates to 163,620 on June 30, 2005. For the next five years, the population projections are relatively flat with the institution population currently expected to increase to 163,987 by June 30, 2009.

The Fall 2003 population projections estimate an institution average daily population (ADP) of 162,307 for the current fiscal year. The Fall 2003 projections estimate the ADP to increase in 2004-05 by 831 inmates to 163,138.

Population Adjustments Included in the Budget. The CDC's comprehensive model for estimating population takes several months to program and run. For that reason, the Fall 2003 projections do not take into account the effect of reforms included in the 2003 Budget Act. These reforms are further discussed below. In developing the budget, the impact on the ADP from these reforms was estimated and the funding levels in the budget were reduced to account for them. Specifically, the budget includes a reduction of \$85.3 million in 2003-04 related to the reforms, based on an estimated decrease in the institution ADP of 5,671 (and a corresponding increase of 5,071 to the parolee population). For 2004-05, the budget includes a reduction of \$223.3 million, based on an estimated decrease in the institution ADP of 14,748 (and a corresponding increase of 12,546 to the parolee population).

The funding level in the budget corresponds to an institution ADP of 156,636 inmates for the current fiscal and an institution ADP of 148,390 in the budget year.

How is the CDC Budget Built?

Baseline Budget. Similar to the budgets for other state agencies, the budget for the CDC starts with the amount provided in the previous Budget Act. In developing the new budget proposal, the Department of Finance (DOF) takes the budget from the current year and makes Base Planning Adjustments. These planning adjustments subtract funding that was one-time in nature, or is expiring because it was approved as limited term. Other planning adjustments include adding additional funds for full-year expenditures for programs that had partial year funding in the previous budget, or funding for a program that was approved to roll out over a number of years. Once the adjustments are made this amount is considered the baseline budget.

How Population Adjustments Are Made. The CDC performs population projections biannually, in the spring and in the fall. The Population projections use a statistical model to estimate population on a number of variables, including the breakdown between males and females and between the different custody levels. The CDC's population adjustments are implemented as part of the institution activation schedule, which is the plan for managing the inventory of beds at the institutions, and matching inmates to the correct custody level. Developing the population adjustments and the activation schedule is a very complex process that results in position-by-position, living unit-by-living unit, line-by-line calculations. The line-by-line population adjustments are contained in a document that is over 1,000 pages.

A portion of the CDC's budget increases or decreases is based on the estimated average daily population (ADP) of its institution and parole programs. The budget for 2004-05 is based on assumptions that the ADP for CDC's institutions will be 156,636 inmates for the current fiscal and 148,390 in the budget year.

The population related funding adjustments are determined by applying the institution "overcrowding" rate, or marginal cost for increasing or decreasing the budget to the estimated change in the ADP. For the budget year, the "overcrowding" rate is calculated as \$16,873 per inmate. This is different from the estimated "average" cost of \$33,152 per inmate. The "overcrowding" rate is meant to capture the cost of adding (or subtracting) an inmate – it differs from the average cost, because it is meant to exclude certain fixed, overhead costs, for example the cost of an officer posted in a tower would not be included in the "overcrowding" rate because that officer would be posted there whether there are 100 inmates or 1,000 inmates at an institution.

Certain staffing ratios are also adjusted through the population process. The population staffing ratio is generally adjusted at 1 staff per 6 inmates. Each institution develops its own staff packages to adjust with population increases or decreases, but examples of the types built into this ratio include correctional officers, teachers, nurses, medical tech assistants (MTAs), building maintenance positions, and account clerks.

Certain operating expenses and equipment (OE&E) adjustments are also related to ADP and are built into of the overcrowding rate. Population related OE&E costs for the budget year include the following list:

- Inmate library purchases (\$17 per ADP)
- Waste removal (\$39 per ADP)
- Recurring Maintenance (\$248 per ADP)
- Utilities (\$393 per ADP)
- Data Processing (\$128 per ADP)
- Foodstuff/Materials (\$947 pr ADP)
- Clothing & Personal Care (\$205 per ADP)
- Housekeeping (\$117 per ADP)
- Laundry (\$65 per ADP)
- Academic education (\$21 per ADP)
- Vocational Education (\$41 per ADP)
- Recreation/Religion (\$7 per ADP)
- Various (Family visiting etc.) (\$6 per ADP)
- Medical waste removal (\$3 per ADP)
- Contract Medical/Dental (\$673 per ADP)
- Medical Data Processing (\$1 per ADP)
- Dietary Meals (\$3 per ADP)
- Medical/Pharmaceutical Supplies (\$412 per ADP)
- Workers' Compensation (\$18 per ADP)
- Inmate Releases (\$136 per ADP)

There are a number of specialty adjustments. There is an enhanced staffing package for Level IV inmates. Additionally, as a result of the *Coleman* lawsuit, there is enhanced mental health staffing (both custody and mental health professions) based on the prevalence and mix of inmates with mental health needs. The prevalence rate for inmates in CDC's three specialized mental health treatment programs, Inpatient Programs, Enhanced Outpatient Program (EOP), and Correctional Clinical Case Management System (CCCMS) has increased from 11.1 percent (17,699 inmates) in 1999 to an estimated 18.4 percent (30,106 inmates) at the end of the budget year.

Budget Change Proposals. The DOF reviews Budget Change Proposals (BCPs) put forward by the CDC as incremental changes to the department's base budget. New programs, funding shortfalls, institution mission changes, and policy changes are all reviewed as BCPs. Any BCPs approved by DOF are then submitted to the Legislature for approval. For the budget year, the CDC has submitted six BCPs to the Legislature for approval (numbers one through six from the major budget adjustments table on page 2).

How Does the Allotment Process Work?

Once the budget for the entire department is determined, CDC creates an allotment for each institution. As can be seen in the table below, the allotments to institutions have not matched actual expenditures. The committee may wish to have CDC briefly describe the current allotment process and how institutions develop budgets.

CDC Allotments and Expenditures by Institution						
	2001-02			2002-03		
Institution	Allotments	Expenditures	Deficiency	Allotments	Expenditures	Deficiency
RJD	120,502,386	128,204,823	(7,702,437)	120,745,176	134,934,300	(14,189,124)
SQ	142,814,723	144,620,353	(1,805,630)	146,451,087	157,319,895	(10,868,808)
CORC	159,326,524	164,235,732	(4,909,208)	168,216,145	178,782,794	(10,566,649)
CIM	157,300,316	165,379,052	(8,078,736)	167,549,836	177,910,956	(10,361,120)
CMF	138,884,875	141,368,395	(2,483,520)	137,178,153	147,276,049	(10,097,896)
SAC	110,171,802	113,978,880	(3,807,078)	117,527,963	126,569,250	(9,041,287)
CCI	132,540,539	141,202,707	(8,662,168)	142,875,375	151,878,036	(9,002,661)
LAC	105,696,145	110,362,716	(4,666,571)	111,723,838	120,376,186	(8,652,348)
SATF	141,044,883	144,830,375	(3,785,492)	148,912,029	155,775,132	(6,863,103)
PBSP	117,342,710	125,697,755	(8,355,045)	126,713,026	132,971,631	(6,258,605)
CRC	95,017,365	99,961,064	(4,943,699)	100,391,112	106,213,966	(5,822,854)
CEN	97,707,804	97,851,017	(143,213)	104,487,377	109,999,270	(5,511,893)
PVSP	100,083,375	100,875,003	(791,628)	104,360,743	108,975,907	(4,615,164)
CIW	56,617,955	59,079,324	(2,461,369)	60,276,090	64,488,993	(4,212,903)
CAL	94,069,858	95,399,806	(1,329,948)	100,061,037	104,264,116	(4,203,079)
CMC	145,892,483	149,500,200	(3,607,717)	156,698,715	160,725,950	(4,027,235)
DVI	89,248,314	89,114,865	133,449	93,598,151	97,156,515	(3,558,364)
MCSP	83,616,538	85,986,713	(2,370,175)	89,976,997	93,348,727	(3,371,730)
NKSP	105,196,920	106,343,707	(1,146,787)	112,276,422	115,604,787	(3,328,365)
FSP	72,558,116	74,847,370	(2,289,254)	81,302,220	83,718,182	(2,415,962)
CCC	98,321,478	101,637,315	(3,315,837)	103,819,962	106,052,026	(2,232,064)
CVSP	68,630,607	70,088,908	(1,458,301)	72,014,681	73,671,739	(1,657,058)
SCC	107,264,895	109,896,382	(2,631,487)	114,674,448	116,197,855	(1,523,407)
NCWF	22,209,277	23,892,052	(1,682,775)	17,811,562	18,276,315	(464,753)
HDSP	113,476,251	110,346,176	3,130,075	117,492,420	117,819,827	(327,407)
VSPW	83,204,513	83,473,763	(269,250)	87,946,999	88,165,434	(218,435)
CTF	121,305,764	128,499,202	(7,193,437)	140,601,010	140,434,915	166,095
SOL	111,821,082	112,737,718	(916,636)	117,641,781	117,464,956	176,825
ASP	127,249,486	128,144,327	(894,841)	135,306,973	134,970,766	336,207
DEL II	797,323	759,227	38,096	1,216,803	775,265	441,538
ISP	96,834,213	96,860,664	(26,451)	103,091,061	102,640,367	450,694
SVSP	112,785,311	111,351,061	1,434,250	119,290,292	118,621,263	669,029
WSP	116,403,587	117,686,398	(1,282,811)	128,943,858	126,272,976	2,670,882
CCWF	89,883,551	89,199,065	684,486	98,084,843	92,485,976	5,598,867
HQ	1,046,225,929	1,029,405,481	16,820,448	1,047,263,127	996,756,372	50,506,755
Unallotted				23,955,742	0	23,955,742
Unscheduled						(2,157,440)
Balance			(3,605)			(8,786,918)
TOTAL	4,582,046,898	4,652,817,593	(70,774,300)	4,820,477,054	4,878,896,696	(69,364,000)

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What Causes the Ongoing Deficiencies at CDC?

Background. The table below highlights the amounts received by the CDC through deficiencies in the last several years.

Deficiency Funding Received by CDC*						
	Fiscal Year (dollars in millions)					
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Amount	\$6.2	\$106.4	\$60.0	\$171.6	\$249.4	\$138.7

* As reported by CDC. Excludes Population related deficiencies.

The CDC has indicated that the budget shortfalls occurred as a result of a number of factors including, (1) higher than budgeted use of overtime, (2) higher than budgeted use of sick time, (3) increased costs for pharmacy and contract medical services, (4) workers' compensation costs, (5) utility costs, (6) labor contract provisions, and (7) retirement costs. The Budget Summary indicates that another cause for the deficiency is custody-related expenditures for unbudgeted and unauthorized posts and posted positions.

The following are factors/issues that may be contributing to CDC deficiencies.

Unauthorized, Unfunded Positions. As stated above, the DOF budget summary indicates that one of the causes for the deficiency is custody-related expenditures for unbudgeted and unauthorized posts and posted positions.

Overtime. According to information from the CDC, expenditures for overtime are significant. The CDC has indicated that the higher than budgeted use of overtime is largely the result of the use of sick leave, medical guarding, and administrative segregation overflow. Previously, vacancies in correctional officer positions had driven overtime. Since January 2000, vacancies among correctional officer positions have been greatly reduced from 12 percent to approximately 1 percent.

Overtime Hours and Costs for Correctional Officers, Sergeants, and Lieutenants		
Year	Hours	Costs
2001	5,181,735	\$198,857,098
2002	5,280,773	\$204,480,735
2003	4,373,549	\$178,341,353

Overtime Budget Authority Versus Expenditures			
Year	Budget Authority	Expenditures	Difference
1999-00	\$126,346,214	\$190,107,926	-\$63,761,712
2000-01	\$124,540,676	\$238,288,530	-\$113,747,854

2001-02	\$142,333,870	\$263,410,403	-\$121,076,533
2002-03	\$148,596,562	\$237,599,555	-\$89,002,993

Last year, CDC provided information to the Subcommittee showing that in a six month period between October 2002 and March 2003 an average of 392 correctional officers worked over 80 hours of overtime in a month. For safety reasons, and in order to reduce the amount of excessive overtime, the Legislature approved the following trailer bill language.

The Department of Corrections shall establish a standardized monthly overtime cap for correctional officers not to exceed 80 hours per month. This cap shall not conflict with any existing provisions of the Bargaining Unit 6 Memorandum of Understanding.

Sick Leave. In a January 2000 report, the Bureau of State Audits concluded the CDC had failed to effectively manage sick leave usage, holiday, and other paid leave programs, and estimated that CDC could save between \$17 and \$29 million a year by being more effective in curbing excessive sick leave usage. Since that time sick leave usage has increased at CDC.

Sick Leave Hours Correctional Officers, Sergeants, and Lieutenants			
Year	Hours	Change	Percent Change
2000	1,930,729.02	n/a	n/a
2001	1,972,797.59	42,068.57	2.2%
2002	2,483,998.13	511,200.54	25.9%
2003	2,532,269.67	48,271.54	1.9%

Temp Help. Budget authority for temp help is significantly less than actual expenditures.

Temp Help Budget Authority Versus Expenditures			
Year	Budget Authority	Expenditures	Difference
1999-00	\$31,436,322	\$104,068,162	-\$72,631,840
2000-01	\$33,076,902	\$94,549,693	-\$61,472,791
2001-02	\$40,558,946	\$115,597,358	-\$75,038,412
2002-03	\$48,289,387	\$106,028,848	-\$57,739,461

Medical Guarding. The CDC has indicated that some of the overtime expenditures in recent years has been due to medical guarding and transportation.

Medical Guarding Budget Authority Versus Expenditures			
Year	Budget Authority*	Expenditures	Difference
1999-00	\$16,000,000	\$19,163,340	-\$3,163,340
2000-01	\$16,000,000	\$27,649,406	-\$11,649,406
2001-02	\$16,601,120	\$31,511,969	-\$14,910,849

2002-03	\$16,811,323	\$29,671,971	-\$12,860,648
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*Estimates

Administrative Segregation Overflow. Many institutions have administrative segregation (ad seg) overflows – living units that have been converted from general population to ad seg. The additional staffing ratios required by the conversion of these units have never been funded.

Contract Medical

Contract Medical Budget Authority Versus Expenditures			
Year	Budget Authority	Expenditures	Difference
1999-00	\$69,239,000	\$111,337,728	-\$42,098,728
2000-01	\$117,522,060	\$154,934,939	-\$37,412,879
2001-02	\$209,533,000	\$200,626,893	\$8,906,107
2002-03	\$206,419,454	\$239,486,201	-\$33,066,747

Medical/Pharmaceutical Supplies

Medical/Pharmaceutical Supplies Budget Authority Versus Expenditures			
Year	Budget Authority	Expenditures	Difference
1999-00	\$55,112,059	\$77,641,803	-\$22,529,744
2000-01	\$97,322,500	\$99,420,032	-\$2,097,532
2001-02	\$78,760,465	\$118,353,185	-\$39,592,720
2002-03	\$121,720,979	\$134,280,552	-\$12,559,573

Workers Compensation

CDC – Summary of Workers’ Compensation Budget and Expenditures			
Fiscal Year	<i>Expenditures (dollars in thousands)</i>		
	Budget*	Expenditures	Surplus/Deficit
1995-96	\$68,327	\$68,916	(\$590)
1996-97	78,834	78,150	684
1997-98	84,859	86,989	(2,130)
1998-99	78,600	98,877	(20,188)
1999-00	89,115	122,517	(33,402)
2000-01	100,203	130,895	(30,691)
2001-02	134,387	154,829	(20,442)
2002-03	134,388	172,204	(37,816)
2003-04 (estimated)	188,900	188,900	0

* Budget is base budget for workers’ compensation costs, with one-time allocations for workers’ compensation costs.

The CDC indicates that it has experienced escalations averaging 14.8 percent over the last five years for workers’ compensation costs. The CDC attributes the increase to increases in salaries and the number of budgeted positions, rising medical costs, and changes in legislation affecting workers’ compensation.

Between 1997-98 and 2000-01, the total claims filed as a percentage of total positions remained level at about 31 percent. In addition, CDC notes that according to data from the SCIF, the costs

of CDC's claims as a percentage of total payroll is lower for CDC (4.9%) than the CHP (8.2%), DMH (7.3%), and CYA (5.2%).

Fiscal Impacts of Contract Provisions. Has the CDC been fully funded for the fiscal impacts of negotiated contracts?

Merit Salary Increases. For state agencies, merit salary increases (MSAs) have not been funded in the budget for a number of years. The table below provides estimates from CDC on the impact on CDC's budget of not funding MSAs.

Merit Salary Increases Impact	
Year	Budget Authority
1999-00	\$34,015,000
2000-01	\$32,486,000
2001-02	\$30,635,000
2002-03	\$9,945,000

CDC Current Year Deficiency Notification. CDC has submitted to the DOF a notification that it estimates a current year deficiency of \$544.8 million after applying departmental savings. DOF has begun its review of the request, but has not approved any deficiency spending. The projected deficiencies include:

- \$168.5 million in retirement costs tied to the pension obligation bond.
- \$183.9 million in General Salary Increases.
- \$87.7 million in unfunded merit salary increases.
- \$137 million due to revised savings estimates for the adopted reforms.
- \$51.8 million in overtime expenditures.
- \$27.3 million in additional temp help expenditures.
- \$10.8 million in additional workers' compensation costs
- \$5.6 million for contract medical and psych/medical supplies.

The \$168.5 million is CDC's estimated need from the pension obligation bond. To the extent that the bond is approved and sold, this would no longer be a deficiency. Additionally, the \$183.9 in General Salary Increases would generally not show up as a deficiency in CDC's budget, but rather would be part of the Employees Compensation budget item. The \$137 million is due to revised savings from the Legislative reforms adopted last year. These savings are a result of the late budget, implementation delays, and revised estimates that take into account the interaction between the various reforms.

Current Year Deficiency Requests Included With the Budget Proposal. As part of the budget proposal, the DOF has submitted the following current year deficiency requests for CDC.

- \$173.9 million for employee compensation.
- \$139.4 million related to an increase in its base population resulting from higher than estimated new admissions and revised savings for adopted reforms.

- \$179.5 million for retirement costs funded through a budget letter.

Improvements to Current Budget Process

One option for controlling costs at CDC includes the development of a consistent allotment methodology for allocating funding to institutions and holding them accountable for expenditure levels. In the Budget Summary, the Administration has indicated it has become apparent that there is little fiscal accountability among CDC institutions, part of which is related to the institutions having little incentive to expend within the limits of a budget allotment that contains a shortfall from the outset.

Last year, in order to get more information on institution budgets and as a way to try to build some additional accountability into the process, the Legislature adopted the following budget bill language requiring CDC to report the operating budget of each institution, including the number of authorized and vacant positions.

No later than January 12, 2004, the Director of Corrections shall submit to the chairperson and vice-chairperson of the Committee on Budget in both the Assembly and Senate and to the Legislative Analyst's Office, an operating budget for each of the correctional facilities under the control of the Department of Corrections. For every institution, the operating budget shall clearly identify the number of authorized and vacant employees, the estimated personal service costs, the estimated overtime budget, the estimated benefits budget, the estimated operating expense and equipment budget, and a list of all capital outlay projects occurring or projected to occur during the 2003-04 fiscal year.

The CDC indicates that it is still preparing this report. The DOF has included similar language in the proposed 2004-05 budget, changing only the report date to February 17, 2005.

The Administration is proposing some reforms including a process designed to hold institutional management accountable for budgeted resources. Specifically, the Administration has indicated that it will be reviewing the institutions to ensure that adequate funding is provided for required activities, and developing cost control procedures to put a halt to expenditures for unauthorized activities and to restore methods of reconciling allotments to the approved budget.

Toward that goal, the DOF has indicated that during the May Revise process, funding for Administrative Segregation Units, medical guarding and transportation will be examined to determine what is required in order to insure that these areas are correctly budgeted.

In order to ensure that each institution is held accountable for its budget, CDC will be required to reconcile its post assignments with its approved and proposed budgets, as well as determine meaningful allotments for the institutions that are predicated upon the reconciled post assignments and standardized costs of operating expenses. DOF believes that this process will

cause any unauthorized custody-related expenditures to surface and will provide a tool to hold institution management accountable for their expenditures.

The DOF has proposed the following budget bill language.

No later than 60 days following enactment of this Act, and subsequently on February 10 and upon release of the May Revision, the Director of Corrections shall submit to the Director of Finance the Post Assignment Schedule for each institution, reconciled to budgeted authority and consistent with approved program, along with allotments consistent with the reconciled Post Assignment Schedule for each institution.

Update on CDC Reforms Adopted Last Year.

During the budget process last year, the Legislature took several actions to reduce expenditures at CDC. The budget for CDC was reduced by a total of \$191 million due to the expected savings from these legislative reforms. Due to delays in implementation, revised cost estimates, and overlapping savings, CDC now estimates that the current year savings will be \$85.3 million. Savings in the budget year from these proposals is currently estimated at \$223.3 million with a reduction of 14,748 to the institutions average daily population. The major reforms are highlighted below.

Restructuring Educational and Vocational Training Programs. Many inmates are eligible to receive day-for-day credits but are unable to participate because there are not enough programs available to meet the need. Funding was provided to avoid elimination of existing education program staff and to establish education programs in reception centers. CDC estimates a reduction of 1,706 in average daily population (ADP) and a savings of \$25.5 million in the current year. In the budget year, CDC estimates an ADP reduction of 4,645 and a population savings of \$72.3 million.

Drug Treatment Furlough. Under the proposal certain inmates would receive drug treatment in secure, supervised, community residential program for the final 120 days of their sentence. CDC estimates a reduction of 438 in ADP and a savings of \$6.8 million in the current year. In the budget year, CDC estimates an ADP reduction of 1,500 and a population savings of \$25.3 million.

Expansion of the Mentally Ill Parolees Program. This program provides pre-release planning and enhance community treatment services for mentally ill parolees. CDC estimates a reduction of 888 in ADP and a savings of \$13.1 million in the current year. In the budget year, CDC estimates an ADP reduction of 888 and net savings of \$13.2 million.

Pre-Release Planning and Re-Entry Programs. CDC revokes approximately 74,000 parolees annually. A 5% reduction in this recidivism rate would result in savings of \$28.7 million. To achieve this reduction, CDC was directed to develop an integrated parole program that would (1) prepare inmates for community re-integration through pre-release planning; (2) develop a new

risk assessment tool to ensure that parole supervision is targeted in a consistent and effective manner; and (3) expand the existing PACT program so that parolees have access to available community services upon release. CDC estimates a reduction of 304 in ADP and a savings of \$4.5 million in the current year. In the budget year, CDC estimates an ADP reduction of 1,208 and population savings of \$17.6 million.

Substance Abuse Treatment & Control Units (SATCU) & Community Detention.

Approximately, 32,000 low level parolees (no underlying violent or serious commitment offense and no violent or serious priors) become parole violators annually and spend an average of 153 days in custody – 72 days in jail pending revocation and another 81 days in prison – most likely a reception center. The custody cost for these low level parole violators is \$254 million.

Further, no programs are available to help reduce the high recidivism risk – particularly related to substance abuse -- for these parole violators. Under this proposal, Parole would implement policies that would employ appropriate sanctions for parole violations based on the offense and underlying public safety risk of the parolees. In addition, existing programs would be expanded to provide Parole with placement alternatives: CDC estimates a reduction of 2,335 in ADP and a savings of \$34.8 million in the current year. In the budget year, CDC estimates an ADP reduction of 6,507 and population savings of \$94.8 million.

Monthly Reports on Implementation. The Budget Act of 2003 contains language requiring the CDC to provide monthly updates regarding the status and implementation of the reforms that were adopted. To date, the CDC has submitted the reports for September and October to the Legislature.

Current Year Control Section 4.1 Reductions.

The approved Control Section 4.1 reductions at CDC total 794 positions and \$26.3 million. CDC does not anticipate any layoffs in correctional officers due to these reductions. The following table highlights the Control Section 4.1 reductions.

CDC Control Section 4.10 Reductions (dollars in thousands)		2003-04		2004-05	
Field Position Reductions		Positions	Dollars	Positions	Dollars
1	Convert to Statewide Vendor Package	-55.8	-\$1,744	-55.8	-\$3,337
2	Eliminate positions related to personnel assignments and inmate assignments	-14.4	-\$433	-14.4	-\$864
3	Eliminate Community Resource Managers	-32.0	-\$1,234	-32.0	-\$2,468
4	Eliminate 3 rd Watch Yard	-248.3	-\$7,465	-248.3	-\$14,920
5	Reduce visiting to two days per week	-185.4	-\$5,610	-185.4	-\$11,136
6	Eliminate non-reimbursed inmate workcrews	-72.4	-\$2,146	-72.4	-\$4,346
7	Consolidate Clark population from 11 to 8 prisons	-17.4	-\$515	-17.4	-\$1,024
8	Increase parole ratio to 500:1 for all USINS holds	-91.2	-\$3,310	-62.4	-\$4,514
Headquarters Vacant Position Reductions					
9	Vacant Headquarters Vacant Positions Reductions				
	Parole and Community Services Division	-6.0	-\$227	-6.0	-\$227
	Office of Victim Services and Restitution	-1.0	-\$60	-1.0	-\$60
	Policy and Evaluation Division	-2.0	-\$108	-2.0	-\$108
	Institution Division	-6.2	-\$326	-6.2	-\$326
	Institution Division – Community Correctional Facility	-5.0	-\$205	-5.0	-\$205
	Legal Affairs Division	-1.0	-\$68	-1.0	-\$68
	Administrative Services Division	-15.0	-\$642	-15.0	-\$642
10	Transportation: personnel years to overtime conversion	-20.0	0	-20.0	0
11	Reduce Headquarters Public Health Function	-4.0	-\$176	-4.0	-\$353
12	Reduce Office of Community Resources	-3.0	-\$77	-3.0	-\$155
13	Facilities Management Division – downsize Inmate Day Labor Construction	-4.0	-\$210	-4.0	-\$241
14	Reduce Facilities Maintenance & Technology Functions	-6.0	-\$189	-6.0	-\$379
15	Policy and Evaluation Division – Eliminate External Research Projects	-4.0	-\$112	-4.0	-\$225
16	Selection and Standards Peace Officer Conversion to Administrative Staff	0.0	-\$39	0.0	-\$287
17	Relocation costs	0.0	\$1,245	0.0	\$2,943
Totals		-794.1	-\$23,651	-765.3	-\$42,942

Visiting Days at CDC Institutions			
INSTITUTIONS.	# OF VISITING DAYS NOW:	CHANGE OF # & VISITING DAYS TO:	EFFECTIVE DATE:
ASP	4	2, S/S	1-31-04
CCC	3	2, S/S	2-6-04
CCI	2	2, S/S	NO CHANGE
CIM	4	2, S/S	2-16-04
CIW	4	2, S/S	1-31-04
CMF	4	2, S/S	2-1-04
CMC	4	2, S/S	2-9-04
CRC	3	2, S/S	2-1-04
COR	4	2, S/S	2-12-04
CSP-LAC	3	2, S/S	2-9-04
CSP-SAC	4	2, S/S	2-1-04
CSP-SOL	4	2, S/S	1-31-04
CAL	2	2, S/S	NO CHANGE
CEN	4	2, S/S	2-19-04
CCWF	4	2, S/S	2-7-04
CVSP	2	2, S/S	NO CHANGE
CTF	4	2, S/S	2-15-04
DVI	4	2, S/S	2-7-04
FSP	4	2, S/S	2-23-04
HDSP	3	2, S/S	2-6-04
ISP	2	2, S/S	NO CHANGE
MCSP	4	2, S/S	2-2-04
NKSP	3	2, S/S	1-30-04
PBSP	2	2, S/S	NO CHANGE
PVSP	3	2, S/S	2-1-04
RJD	4	2, S/S	2-1-04
SVSP	3	2, S/S	1-16-04
SCC	3	2, S/S	2-16-04
SATF	3	2, S/S	2-7-04
VSPW	4	2, S/S	2-9-04
WSP	3	2, S/S	1-26-04

Closure Commission.

The budget assumes that the CDC's institution population will reduce by nearly 14,748 ADP in 2004-05. The budget summary also indicates that reforms that make the parole system more successful should decrease recidivism rates and would have the desired effect of reducing institution population. As a result the administration indicates that it will create a Closure Commission that would proactively evaluate and recommend future closures for both the CDC and the Youth Authority. The Administration indicates that the commission would review factors such as design of the facility, age and maintenance needs, ability to recruit and retain staff, the economic impact on a region, and the potential revenue to the state from selling the asset in order to recommend to the Administration and the Legislature a priority order for closing institutions as population declines.

While population reductions provide substantial savings on the margin, the Administration indicates that entire institution closures nearly double the potential savings by avoiding fixed costs. An institution closure allows CDC to eliminate the overhead of running an institution and base staffing, including administrative and maintenance positions, as well as posts that must be activated and filled regardless of the population of an institution.

Office of Investigative Services

Office of Investigative Services						
	Budgeted Authority					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Total Personal Services	5,779,639	6,614,570	9,265,799	10,158,661	10,841,776	10,716,881
Total OE&E	1,223,947	1,329,762	1,386,870	1,316,537	1,230,793	1,216,769
Grand Total	7,003,586	7,944,332	10,652,669	11,475,198	12,072,569	11,933,650
Personnel Years	87.9	103.0	124.0	129.0	126.0	126.0

The following is the mission of the Office of Investigative Services (OIS) within the CDC.

- Provide ethical and comprehensive investigative services into allegations of employee misconduct.
- Build confidence with the public and CDC staff by ensuring compliance with the highest standards of professional conduct.
- Ensure that improper conduct by one or more members of the CDC does not undermine the confidence of the public and members of the CDC.

Office of the Inspector General

The Office of the Inspector General has the responsibility for oversight of the state's correctional system through audits and investigations of the boards and departments within the Youth and Adult Correctional Agency. Chapter 969, Statutes of 1998 changed and expanded the role of the Inspector General and re-established the Office as an independent entity reporting directly to the Governor. In addition, Chapter 338, Statutes of 1998 requires the Office of the Inspector General to review Level 1 and Level 2 Internal Affairs investigations of the boards and departments within the Youth and Adult Correctional Agency.

OIG – Summary of Program Expenditures				
(dollars in thousands)				
Program	2001-02	2002-03	2003-04	2004-05
Office of the Inspector General	\$ 10,906	\$ 8,940	\$ 4,724	\$ 0
Authorized Positions	97	83	43	0

Budget Proposal. The January 10, budget proposed elimination of the OIG, effective July 1, 2004, and provided \$630,000 and six positions within the Youth and Adult Correctional Agency (YACA) to perform the oversight functions previously handled by the OIG.

Current Year Deficiency. The DOF has submitted a current year deficiency request of \$1.6 million in the current year for the OIG.

At a press conference last week, the administration indicated that it is reversing an earlier decision to greatly reduce the OIG and would instead restore its funding and give it new law enforcement powers, including the authority to issue subpoenas and seek search warrants. The Administration is currently developing the restoration proposal, which will be presented as the budget process moves forward.